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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03 NSAE-00

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USCINCEUR VAIHINGEN GERMANY

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US DOCOSOUTH NAPLES

C O N F I D E N T I A L ROME 5514

E.O. 11652: GDS

TAGS: PINT, IT

SUBJ: LA MALFA PROPOSAL: CURRENT STATE OF PLAY

REF: ROME 4601 (NOTAL)

USDOCSOUTH FOR INTAF

SUMMARY: PARTIES AND MAJOR UNIONS HAVE NOW GIVEN THEIR INITIAL REACTIONS TO LA MALFA PROPOSAL FOR PROGRAM ACCORD AMONG "CONSTITUTIONAL" PARTIES (INCLUDING COMMUNISTS) ON EMERGENCY ECONOMIC MEASURES. UNIONS, CHRISTIAN DEMOCRATS, COMMUNISTS AND SOCIAL DEMOCRATS FAVORABLE AT LEAST IN PRINCIPLE. LIBERALS BASICALLY OPPOSES. SOCIALISTS STILL SEEK FORMAL COMMUNIST "ASSOCIATION" WITH GOVERNING MAJORITY. LA MALFA PROPOSAL IS DANGEROUS SINCE, IF ACCEPTED IN ITS PRESENT FORM, IT WOULD PUT PCI CAMEL'S NOSE UNDER GOVERNMENT TENT. HOWEVER, SINCE SOCIALIST SUPPORT FOR MORO GOVERNMENT NOW REDUCED TO PARLIAMENTARY ABSTENTION, DC FACES POSSIBILITY OF VERY RISKY EARLY ELECTIONS UNLESS

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IT SEEKS INDIRECT COMMUNIST SUPPORT IN PASSING GOVERN-

MENT'S ECONOMIC MEASURES. RECENT DC CLASH WITH LAY PARTIES ON ABORTION ISSUE HAS INTRODUCED ADDITIONAL INSTABILITY AND INCREASED POSSIBILITY OF EARLY ELECTORAL TEST. END SUMMARY.

1. REPUBLICAN PARTY LEADER LA MALFA HAS VIRTUALLY CONCLUDED HIS FIRST ROUND OF CONSULTATIONS WITH "PARTIES OF CONSTITUTIONAL ARC" (ALL PARTIES BUT NEO-FASCIST MSI) ON HIS PROPOSAL FOR ACCORD ON EMERGENCY ECONOMIC MEASURES. LAST MEETING IN SERIES COMES TOMORROW WITH FEDERATION CGIL-CISL-UIL (CCU), BUT CCU HAS ALREADY GIVEN RESPONSE FAVORABLE IN PRINCIPLE TO LA MALFA PLAN.

2. REACTIONS FROM OTHER PARTIES HAVE BEEN MIXED. COMMUNISTS HAVE STATED THAT THEY CONSIDER JOINT CONSULTATION ON ECONOMIC MEASURES USEFUL AND HAVE SOUGHT TO PREEMPT CRITICS BY STATING THAT THEY DO NOT INTEND TO "USE" LA MALFA PROPOSAL AS SURREPTITIOUS MEANS OF ENTERING GOVERNMENT.

3. CHRISTIAN DEMOCRATIC PARTY SECRETARY ZACCAGNINI LEFT DOOR OPEN TO ACCEPTANCE OF LA MALFA PROPOSAL IN HIS SPEECH TO DC CONGRESS. IN MARCH 30 MEETING WITH LA MALFA HE EXPRESSED HOPE THAT PRO LEADER'S EFFORTS WOULD HAVE "SUCCESSFUL OUTCOME." HOWEVER, OTHER DC LEADERS, INCLUDING MORO AND PICCOLO, HAVE MADE CLEAR THEIR POSITION THAT CONSULTATION WITH PCI SHOULD TAKE PLACE WITHIN CONTEXT OF "CONFRONTO" (DIALOGUE) BETWEEN DC AND PCI, PARTICULARLY IN PARLIAMENT, AND SHOULD NOT DETRACT FROM "INSTITUTIONAL" PREROGATIVES OF THE MORO GOVERNMENT.

4. SOCIALIST PARTY SECRETARY DEMARTINO INITIALLY REACTED POSITIVELY TO LA MALFA PROPOSAL. HOWEVER, RECENT PSI DIRECTORATE MEETING (DEPTEL) SHOWED STRONG SENTIMENT THAT PROPOSAL DOES NOT GO FAR ENOUGH. MANY PSI LEADERS REASON THAT IF "CONSTITUTIONAL ARC" PARTIES AGREE ON PROGRAM, AGREEMENT SHOULD BE TRANSLATED INTO PARTICIPATION BY THOSE PARTIES (INCLUDING CPI) IN GOVERNING MAJORITY.

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5. SOCIAL DEMOCRATS INITIAL REACTION WAS NEGATIVE. HOWEVER, NEW PSDI SECRETARY SARAGAT IN APRIL 1 MEETING WITH LA MALFA PRONOUNCED HIMSELF "PERFECTLY IN AGREEMENT" WITH LA MALFA PROPOSAL. PREDICTABLY, LIBERAL PARTY HAS EXPRESSED SERIOUS RESERVATIONS TO IDEA OF EVEN LIMITED ACCORD INVOLVING PCI, WHILE RECOGNIZING NEED FOR EMERGENCY MEASURES.

6. COMENT: LA MALFA'S PROPOSAL FOR CONSULTATIONS WITH THE COMMUNISTS LEADING TO AN AGREEMENT ON EMERGENCY ECONOMIC MEASURES IS A DANGEROUS ONE. IT HAS, HOWEVER, BEEN WATERED DOWN A BIT SINCE ITS CONCEPTION AND WOULD PROBABLY HAVE TO BE FURTHER DILUTED BEFORE DC COULD ACCEPT IT. DESPITE OUR GRAVE RESERVATIONS REGARDING ITS MERITS, THE LA MALFA SCHEME STEMS FROM AN OBJECTIVELY DIFFICULT POLITICAL AND ECONOMIC SITUATION. BECAUSE OF SOCIALIST WITHDRAWAL FROM MAJORITY, DC GOVERNMENT HAS NEITHER THE PARLIAMENTARY MAJORITY NOR THE POLITICAL WILL TO PASS IMPORTANT ECONOMIC MEASURES IN THE FACE OF COMMUNIST-LED LEFTWING OPPOSITION. (RESPORT TO SAME MAJORITY WITH MSI WHICH PASSED DC ABORTION LAW AMENDMENT WOULD RISK BLOOD IN THE STREETS.) THUS DEMOCRATIC PARTIES (ESP. THE DC ON HORNS OF DILEMMA: GREATER DIALOGUE WITH THE COMMUNISTS OR RESORT TO EARLY PARLIAMENTARY ELECTIONS IN WHICH PCI MIGHT GAIN HEAVILY AND DC MIGHT LOSE RELATIVE MAJORITY.

7. TO EXTENT THAT LA MALFA PROPOSAL CAN BE REDUCED TO MUCH THE SAME SORT OF CONSULTATION WITH PCI WHICH HAS BEEN GOING ON IN PARLIAMENT FOR SOME YEARS, IT WOULD BE ACCEPTABLE WAY OUT FOR DC. HOWEVER, IT IS UNCLEAR WHY PCI WOULD AGREE TO COVER THE GOVERNMENT ON THE LEFT WITHOUT EXACTING SUBSTANTIAL CONCESSIONS. MORO MAY SIMPLY ADOPT FABIAN TACTICS IN STRETCHING OUT DISCUSSION OF LA MALFA PROPOSAL IN HOPES THAT "SOMETHING WILL COME ALONG" TO PERMIT ESCAPE FROM PRESENT DILEMMA. HOWEVER, RECENT DRAMATIC DC CONFRONTATION WITH LAY PARTIES ON ABORTION ISSUE (SEPTEL) HEIGHTENS POSSIBILITY THAT OUTCOME WILL BE EARLY ELECTIONS IN JUNE OR IN THE FALL.

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